

INGEKOMEN 30 MEI 2013

Annual Accounts 2012

IRC

International Water and Sanitation Centre

Bezuidenhoutseweg 2

2594 AV The Hague

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Corporate information

Legal form:	Foundation
Corporate name:	Stichting IRC, International Water and Sanitation Centre
Statutory seat:	The Hague
Director:	Terra, Nicolaas Gerardus Maria
Supervisory Board:	de Waal, Lodewijk Justus van der Sijp, Regina Nina Maria van Dord, Hans van den Top, Gerhard Martin Cross, Piers Edward

Our vision - The world we want to see

We want every person in the world to enjoy their human right to safe water, sanitation and hygiene, now and forever.

Our Mission - How we achieve our vision

We work with people in the poorest communities in the world, with local and national governments, and with non-governmental organisations (NGOs), to help them develop WASH services that last not for years, but forever. We identify the barriers to making this happen and tackle them. We help people to make the change from short-term project interventions to long-term services that will transform their lives and their futures.

Directors report

The above vision and mission statement reflects how IRC sees its role as an international knowledge and innovation centre in the WASH sector, striving for a change towards the delivery of sustainable water and sanitation services that last. This is an ambition we share with our partners and is in line with the MDG's for 2015 to which the wider community is committed.

For IRC, 2012 is the first year of our new 5 years Business Plan 2012-2016. We will remain committed to our profile as an internationally recognised and relevant sector knowledge organisation with the overarching goal to change the focus of the sector to service delivery that last. Our strategy is described in our Business Plan and includes further internationalisation and decentralisation, identification of new financiers and increasing the organization's flexibility to respond more easily to fluctuations in funding.

This business plan and scope of work is based on a total budget of €51 million for the period 2012-2016, is the sum required to maintain our level of impact and our work on information management, the programmes in focus countries and regions, and our international programme. Of this total approximately 57% has currently been committed. The other 43% will be acquired by means of responding to tenders, proactive proposal development and strategic acquisition and fundraising. During the coming business plan period IRC is again supported by the Dutch government through a renewed 5 years programmatic funding of € 10.4 million.

Financial report

The revenues show a stabilization as compared to 2011. The total revenues for 2012 amount to € 10.1 million. The same applies to the shift in the funding base of IRC towards more private funding. In 2012, the programme subsidy from the Dutch government accounts for 28% of the total revenues for 2012. The balance of 2012 ended positive with a profit of € 13,132.= This result will be added to the foundations reserves.

The Dutch government issued a disposition for the provision of a core programme subsidy totalling € 10.4 million for the period 2012-2016, which consists of € 9.65 million to be used for the core activities and programmes of IRC (programme subsidy) and € 0.75 million to be used for the execution of advisory assignments. The year 2012 therefore also marks the first year of the subsidy by the Dutch government, which follows the programmatic framework agreed in the 2012-2016 Business Plan. Interest received on advance payments are allocated accordingly.

The investment that the Dutch government has made and continues to make in IRC is leveraged by \$ 39 million in external funding over a 6-year period, predominantly from the Bill & Melinda Gates Foundation. In 2012 € 5.2 million of this external funding is spent by IRC and her partners through joint projects. This is also a leverage effect of the core funding.

The investment and treasury policy, which was initiated in 2008, continued in 2012. Current assets were accommodated in deposits and savings accounts to avoid unnecessary financial risks. Despite the financial crisis, which started to show its effects in 2010 and continued in 2011 and 2012, IRC was able to increase the liquidity balance by approximately € 2 million.

Miscellaneous

The Board members received a total remuneration of € 20,780 in 2012.

The remuneration of the director of IRC for 2011 amounts to € 109,097 which excludes an amount of € 18,695 for pension contributions.

Forward looking statement

Revenues	2013
Programmatic funding	€ 3,063,600
Project funding	€ 7,741,300
Total	€ 10,804,900
Expenditure	
Personnel expenses	€ 5,332,000
Programmatic expenses	€ 745,000
Project expenses	€ 4,283,200
Operating expenses	€ 495,000
Total	€ 10,855,200
Financial income	€ 65,000
Operating profit	€ 14,700

The year 2013 will be the second year of the Business Plan 2012-2016, with a new five-year subsidy commitment from the Dutch government of € 10.4 million and the continuation of the a large grants from the Bill & Melinda Gates foundation (budget € 3.3 million in 2013). The grant covers the costs for the Projects washcost, which ends in de first half of 2012 and Triple S wich continues until 2014. Furthermore, IRC signed large grants with BRAC (budget € 1.8 million in 2013) and for our SmarterWash project through the Dutch Public Private Partnership subsidy arrangement (total subsidy €2.2 million for 3 years).

The programmatic funding by the Dutch government and other institutional funding, is budgeted at € 3.06 million or 23% of the total budget.

In addition to the subsidy from the Dutch government , € 2.79 million (€ 2.5 million in 2012), an amount of € 0.27 million from the remaining balance of the core funding received from the Bill & Melinda Gates Foundation will be applied for acquisition, the innovation programme and organization. The total budget for 2012 amounts to € 10.8 million, a slight increase of 7% as compared to the actuals of 2012.

IRC is more and more taking the lead in external projects, which is increasing our visibility in the sector, but at the same time we are executing these projects with a decreasing input of IRC own staff, cooperating as much as possible with partner organisations.

The total budget increase in 2013 is primarily due to the implementation of large projects via partners in which IRC leads.

To mitigate the risks connected to the implementation of the large projects, IRC aim to be more flexible and cost effective remains. In 2013, we will invest to increase our control over risks.

All the HR basics like legal status, international staff contracts, tax issues and international labour conditions will be further developed.

In addition, we will invest in the overall education of staff, both from the perspective of core competences needed at IRC level as from the perspective of individual and team competences.

Office running costs and ICT costs will remain at the same level as 2012. As from 2013 IRC will consolidate the overhead costs of the country offices. In the previous periods these costs for carried under projects.

The current lease agreement for the International Water House expires in July 2015 with 6 months notice. It was recently renewed with a 15% discount. This discount will compensated the increase in consildated office running costs

IRC will evaluate and decide on the housing in the second half year of 2014.

Acknowledgements

IRC is very grateful to the Dutch government for its continued support and thanks both the Ministry for Development Cooperation and the Ministry of Infrastructure and Environment for the trust they have shown. Without this support IRC would not have been able to reach the unique position it now occupies in the sector, as witnessed by the great interest from the sector.

The interest of the Bill & Melinda Gates Foundation and other donors in the concepts that IRC develops, can be reflected as spin-off of all the years the Dutch government has invested in IRC.

Last but not least, I would like to thank, also on behalf of the Supervisory Board, the international and local staff of IRC, for their great commitment with which they again dedicated themselves in 2012.

With the new course IRC will continue to make a positive contribution in the future, to the improvement of the living conditions of the poorest in developing countries.

The Hague, 27 May 2013

Drs. Nico Terra
Director

Balance Sheet as at 31 December 2012

(After profit appropriation)

(For further explanation please see chapter "Notes to the balance sheet")

	<u>31 December 2012</u>		<u>31 December 2011</u>	
	€	€	€	€
<u>ASSETS</u>				
Non-current Assets				
Tangible fixed assets	112.514		136.437	
		112.514		136.437
Current assets				
Accounts receivable	537.686		283.747	
VAT receivable	74.614		55.056	
Loans to staff	25.000		30.499	
Other receivables	156.326		230.749	
Cash and cash equivalents	12.336.023		10.127.949	
		13.129.649		10.728.000
Total assets		13.242.163		10.864.437
<u>LIABILITIES</u>				
Foundation's general reserves				
Foundation's general reserves	2.177.169		2.173.643	
Result current financial year	13.132		3.526	
		2.190.301		2.177.169
Provisions				
Sabbatical leave provision	11.278		23.814	
Jubilee provision	67.553		55.850	
Other staff related provisions	58.729			
		137.560		79.664
Non-current liabilities				
Annuity	-		14.155	
		-		14.155
Current liabilities				
Pre-invoiced on projects	8.538.183		6.220.857	
Subsidy advance	1.379.209		1.500.000	
Accounts payable	312.172		273.278	
Other current liabilities	684.738		599.314	
		10.914.302		8.593.449
Total liabilities		13.242.163		10.864.437

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INCOME STATEMENT FOR 2012

(For further explanation please see chapter "Notes to the income statement")

	2012 Actual €	2012 Budget €	2011 Actual €	2011 Budget €
<u>INCOME</u>				
Core programme funding	3.092.551	3.322.348	2.707.042	2.534.281
Triple-S	3.037.500	2.834.139	2.688.811	2.530.138
WASHCost	1.897.181	1.568.789	2.069.310	1.883.964
Other projects	2.049.499	4.977.211	2.278.576	2.585.939
	<u>10.076.731</u>	<u>12.702.487</u>	<u>9.743.739</u>	<u>9.534.322</u>
<u>EXPENSES</u>				
Personnel costs	4.879.952	5.528.165	4.667.350	5.177.362
Core programme costs	595.029	815.831	439.167	501.460
Triple-S	2.037.502	1.940.000	1.797.495	1.750.000
WASHCost	1.201.804	922.000	1.388.507	1.250.000
Other projects	877.993	3.052.000	1.053.228	450.000
	<u>9.592.280</u>	<u>12.257.996</u>	<u>9.345.747</u>	<u>9.128.822</u>
General & administration expenses	458.851	480.000	445.681	446.000
Total expenses	10.051.131	12.737.996	9.791.428	9.574.822
Operating profit	<u>25.600</u>	<u>-35.509</u>	<u>-47.689</u>	<u>-40.500</u>
Financial income and expenditures	<u>-12.468</u>	<u>50.000</u>	<u>51.215</u>	<u>48.000</u>
Annual profit	13.132	14.491	3.526	7.500

The annual result has been added to the foundation's general reserves.

CASH FLOW STATEMENT FOR 2012

	2012	2011
	€	€
Cash flows from operating activities		
Operating result	-3.652	-49.735
Adjustments for depreciation	37.332	88.157
Movement in provisions	57.896	470
	95.228	88.627
Changes in working capital		
Inventories	2.317.326	-1.285.780
Receivables	-199.074	-131.925
Current liabilities	3.527	1.460.125
	2.121.779	42.420
Cash generated from operations	2.213.355	81.312
Interest received	49.511	53.032
Interest paid	-1.277	-2.480
	48.234	50.552
Net cash generated from operating activities	2.261.589	131.864
Cash flows from investing activities		
Purchases of assets	-13.409	-12.227
Cash flows from financing activities		
Repayments of borrowings	-14.155	-23.328
Net cash flow	2.234.025	96.309
Currency exchange gains / loss	-20.259	2.709
Net increase in cash & cash equivalents	2.213.766	99.018

Basis of the Valuations

Objective

The foundation aims to support people in developing countries with the best affordable and sustainable water and sanitation supply possible. In doing so, it pays particular attention to knowledge generation and transfer related to fundamental and structural problems in the area of water supply and sanitation and related topics like hygiene education and the environment. It acts as a central link in an international network of regional and national institutes and consultants.

To realize its goals, the foundation works together with partner organisations in developing countries as well as other agencies and individuals within and outside the Netherlands that work in the same areas of focus.

General

The annual accounts have been prepared in compliance with the generally accepted accounting principles.

Assets and liabilities are at face value and all amounts are in Euro (functional currency), unless specified otherwise.

If assets and liabilities are expressed in foreign currencies, conversion takes place against the official exchange rate at the balance sheet date. The resulting exchange rate results are included in the statement of assets and liabilities.

All current assets and liabilities are due within one year, while all non-current assets and liabilities are due after one year.

The basis for the valuations has not changed in comparison to previous years.

Tangible fixed assets

The tangible fixed assets are valued at the purchase price less straight-line depreciation over the estimated useful economic life. The residual value of the tangible fixed assets is set at zero.

Computer equipment is depreciated in three years.

The telephone switchboard with accessories has been depreciated in five years.

Other durable business assets are depreciated over ten years.

No extra-ordinary depreciations or value adjustments have been determined at balance sheet date.

Accounts receivable

Receivables are at face value less a provision for possibly uncollectable amounts.

The provision for uncollectable amounts is calculated by using the static method (expected non-payment per debtor).

Cash and cash equivalents

Cash and cash equivalents are at face value and at full disposal for IRC to execute its projects and programmes.

It consists of petty cash and the balances on the ABN AMRO bank accounts. Two types of bank accounts can be distinguished: non-interest bearing current accounts and interest-bearing deposit accounts.

The balances on the bank and deposit accounts are withdrawable on demand, whereas the balances on the deposit accounts have a maximum of twelve months' interest maturity.

Balances on the foreign currency accounts (U.S. Dollars and British Pounds) have been converted to Euro at the official exchange rate at the balance sheet date.

Inventory

Inventory of publications is not included in the balance sheet; the production costs of these publications are externally financed or are charged to the income statement in the year of production.

Purchase costs of paper, office supplies, etc. are included in the profit and loss account in the year they were incurred. Any inventory of paper and office supplies at the balance sheet date is valued at zero.

Any other inventory present at the balance sheet date is at face value.

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Provisions

Provisions are calculated to cover specific risks that exist at the balance sheet date of which the size is uncertain but can be reasonably estimated.

The provisions are based on estimates and are recognised at face value.

Pre-invoiced on projects

The post 'pre-invoiced on projects' comprises amounts that were already received or billed to external clients for projects that were not completed at the balance sheet date.

Projects in progress are valued on the basis of the directly attributable salary expenses at the rates applicable for the year in question, plus other direct expenses.

Project losses/gains are recognised upon completion. Provisions for expected losses are made at the moment they are foreseeable and are deducted from the work in progress balance.

Work in progress is balanced with the item 'pre-invoiced on projects' and is shown in the balance sheet.

Pensions benefits

IRC operates a defined benefit pension plan at ABP. This provides defined pension benefits to staff upon reaching retirement age. The amount depends on age, years of service and compensation. IRC has accounted for the multi-employer defined benefit plan as if it were a defined contribution plan. IRC has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods other than higher future contributions.

Liabilities

Liabilities are at face value.

Income from projects

Income from projects comprises the hours spent per employee on the basis of time registration at the rates applicable in the reporting year, increased by the equipment costs that can be charged to clients. This is consistent with the 'completed contract method'.

Exchange rate results

Transactions in foreign currencies during the reporting period are included in the profit and loss account at the exchange rate at completion date of the transaction.

Cash flow statement

The cash flow statement has been prepared according to the indirect method.

The cash flow is derived from the operating result (including depreciations and the movements in provisions) with adjustments for the changes in working capital and the cash generated from investing and financing activities such as purchases of assets, repayment and collection of debts, interest and currency exchange results.

The result of the cash flow statement matches the change in the balance of cash and cash equivalents as compared to the previous year.

Notes to the Balance Sheet

ASSETS

Tangible fixed assets

The movement in the tangible fixed assets can be specified as follows:

	<u>Balance</u>	<u>Office inventory</u>	<u>Computer inventory</u>
	€	€	€
<u>Position as of 1 January 2012</u>			
Purchase price	554.689	191.858	362.831
Minus: Accumulated depreciation	<u>-418.252</u>	<u>-84.406</u>	<u>-333.846</u>
Book value	136.437	107.452	28.985
<u>Transactions during financial year</u>			
Additions	13.409		13.409
Minus: Depreciation	-37.332	-15.102	-22.230
Minus: Disposals	-156.149		-156.149
Plus: Accumulated depreciation disposals	<u>156.149</u>		<u>156.149</u>
Total transactions	<u>-23.923</u>	<u>-15.102</u>	<u>-8.821</u>
<u>Position as of 31 December 2012</u>			
Purchase price	411.949	191.858	220.091
Minus: Accumulated depreciation	<u>-299.435</u>	<u>-99.508</u>	<u>-199.927</u>
Book value	112.514	92.350	20.164

Loans to staff

The respective IRC employee has been posted abroad for three years as from July 2010.

For relocation, a non-interest bearing loan has been provided to be repaid not later than July 2013.

At the end of 2011, the item 'loans to staff' was shown as long term. For reason of comparison reasons, the opening balance of € 30,499 has been reclassified from long term to short term due to the fact that it will be fully repaid in 2013.

	€
Position as of 1 January 2012	30.499
Plus: addition to loan	0
Minus: repayment of loan	<u>-5.499</u>
Position as of 31 December 2012	25.000

Accounts receivable

The outstanding balance for accounts receivable amounts to € 537,686 as of 31 December 2012.

For the outstanding accounts receivable, a provision has been made for uncollectable amounts. This provision is based on the age of the outstanding accounts receivable and expected payment per debtor (static method).

The total amount of the provision for uncollectable debts amounts to € 31,258 as of 31 December 2012.

At the end of 2011 the provision for uncollectable debts amounted to € 1,000.

The addition of the provision for uncollectable debts of € 30,258 has been added to the result.

The aging of the outstanding receivables can be specified as follows:

	<u>Balance</u>	<u>Provision</u>	<u>Original amount</u>
	€	€	€
Less than 6 months	537.686	0	537.686
6 to 12 months	0	31.258	31.258
12 to 18 months	0	0	0
More than 18 months	<u>0</u>	<u>0</u>	<u>0</u>
	537.686	31.258	568.944

At the end of 2011, the outstanding balance of accounts receivable amounted to € 283,747.

VAT receivable

As of 31 December 2012, a VAT amount of € 74,614 can be claimed from the tax authorities.

At the end of 2011 the refundable VAT amounted to € 55,056.

The item 'VAT receivable' can be specified as follows:

	31-12-2012	31-12-2011
	€	€
VAT to be claimed 6%	1.616	854
VAT to be claimed 19%	2.794	65.383
VAT to be claimed 21%	81.458	0
VAT to be paid 19%	-4.831	-11.181
VAT to be paid 21%	-6.423	0
VAT declaration 4th quarter 2012	74.614	55.056

Other receivables

The item 'other receivables' amounts to € 156,326 as of 31 December 2012.

At the end of 2011, the item 'other receivables' amounted to € 230,749.

The item 'other receivables' can be specified as follows:

	31-12-2012	31-12-2011
	€	€
Interest receivable	101.536	101.069
IWH shared exploitation costs	12.582	679
Advances to expatriates	0	20.385
Credit invoices/reimbursements to be received	0	388
Prepaid amounts	42.208	90.990
Transitory accounts	0	17.238
	156.326	230.749

Inventories

Any inventory of office supplies and paper at the balance sheet date is valued at zero.

There was no other inventory as of 31 December 2012.

Cash in banks and in hand

The specification of cash at banks and in hand present as of 31 December 2011 is as follows:

	31-12-2012	31-12-2011
	€	€
ABN / AMRO Deposit Accounts	10.860.395	8.700.000
ABN / AMRO Current Account	292.335	124.626
ABN / AMRO Board Account	33.243	153.070
ABN / AMRO Capital Market Index accounts	1.150.000	1.150.000
Cash	50	253
	12.336.023	10.127.949

The high balance on the bank deposit accounts is caused to an important extent by the prepayments received from the Bill & Melinda Gates Foundation for the Triple-S project.

The interest on the deposit accounts is 1.9% as of 31 December 2012.

The interest on the Capital Market Index accounts is 2.1% as of 31 December 2012.

NOTE: Interest rates have decreased in comparison with 2011 when we received 2% on our deposit account and 2.65% on the Capital Market Index accounts.

LIABILITIES

Foundation's general reserves

The foundation's general reserves serve to cover general business risks.

The result for 2012 of € 13,132 is added to the foundation's general reserves.

	€
Position as of 1 January 2012	2.177.169
Plus: result financial year 2012	13.132
Position as of 31 December 2012	<u>2.190.301</u>

The general reserves can be split into the following designated reserve allocations:

	€
Unemployment (WW) and disability (WIA) risk reserve allocation	269.712
Fixed asset equalization reserve	136.437
Other resistance equity	1.784.152
Total	<u>2.190.301</u>

Sabbatical leave provision

There is one IRC employee that still has rights with respect to sabbatical leave, which could be taken on in future.

The size of the sabbatical leave provision is based on the number of accrued days per member of staff and the individual daily pay as of 31 December 2005, including a raise for national insurance contributions.

As of 1 January 2006 it is no longer possible to accrue more after the introduction of the "life cycle plan".

The balance will be frozen until the time the sabbatical is taken.

In 2012 the employee took sabbatical leave amounting to €12,536 In 2011 no sabbatical leave taken.

	€
Position as of 1 January 2012	23.814
Plus: addition to provision	0
Minus: releases from provision	<u>-12.536</u>
Position as of 31 December 2012	11.278

Jubilee provision

At 25 years employment with IRC, an employee is entitled to receive an extra allowance equal to one month salary.

The jubilee provision calculation is based on pro rata accrued number of working years at IRC for staff employed at balance sheet date. One IRC employee will reach 25 years' jubilee in 2012.

During 2012 the 12,5 years Jubilee was introduced.

	€
Position as of 1 January 2012	55.850
Plus: addition to provision	11.703
Minus: releases from provision	<u>0</u>
Position as of 31 December 2012	67.553

Other staff related provision

In 2012 IRC has made arrangements with selected staff members of which the costs paid for in 2013 are provided for in 2012

	€
Position as of 1 January 2012	0
Plus: addition to provision	58.729
Minus: releases from provision	<u>0</u>
Position as of 31 December 2012	58.729

Non-current liabilities

The item long-term liabilities relates to the annuity mortgage with NSI (previously Vastned) and a financial lease contract with Ask Roger for the telephone switchboard and are both having a term of less than 5 years (non-current settlement in 2012).

	€
Annuity NSI/Vastned	14.155
Position as of 1 January 2012	14.155
Repayments	<u>0</u>
Position as of 31 December 2012	14.155

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Pre-invoiced on projects

The item 'pre-invoiced on projects' amounts to € 17,206,112 as of 31 December 2012. It concerns amounts that were received and invoiced for projects that were not completed as of 31 December 2012.

As of the end of 2011 this item amounted to € 13,094,958

The item work in progress amounts to € 8,667,929 as of 31 December 2012. This item includes the directly allocated salary expenses and other direct costs of externally financed projects that were not completed as of 31 December 2012.

As of the end of 2011, the balance of the item work in progress amounted to € 6,874,101.

Currency exchange effects, interest income, and transitory items of the projects WASHCost and Triple-S are included in the work-in-progress

Furthermore included in the work-in-progress is a provision of € 371,374 for expected future losses.

As of the end of 2011, a provision was created for an amount of € 229,894. The largest part of the risk concerns execution risks and match funding risks for IRC for the EU-funded and USAID-funded projects.

In the balance sheet the items 'pre-invoiced on projects' and 'work in progress' have been netted.

	Balance €	Pre - invoiced €	Work-in-progress €
WASHCost	345.765	2.089.227	1.743.462
Triple-S	4.908.325	6.823.029	1.914.704
Other projects	3.284.093	8.293.856	5.009.763
Total	8.538.183	17.206.112	8.667.929

With the Bill & Melinda Gates Foundation it has been agreed that approval of the Annual Project Report provides endorsement of the expenses made for that period. It is therefore deducted from the work-in-progress and pre-invoiced amounts.

The Annual Cycle for Triple-S is 1 June - 31 May and for WASHCost 1 January - 31 December.

The endorsements for WASHCost is until 31 December 2011 and for Triple S until 31 May 2012.

	Balance € (EUR)	WASHCost \$ (USD)	Triple-S \$ (USD)
Available for the total project period	24.623.679	14.481.635	22.081.160
Minus: endorsed WIP 31/12/2011	-8.347.307	-11.382.189	-
Minus: endorsed WIP 31/05/2012	-7.152.389	-	-11.379.244
Project Balance	9.123.983	3.099.446	10.701.916

Accounts payable

The outstanding balance for accounts payable amounts to € 312,172 as of 31 December 2012.

At the end of 2011, the item 'accounts payable' amounted to € 273,278.

The aging of the outstanding items is as follows:

	31-12-2012 €	31-12-2011 €
Less than 6 months	312.172	273.278
6 to 12 months	0	0
More than 12 months	0	0
	312.172	273.278

Subsidy advance

The Ministry of Foreign Affairs (DGIS) has issued a subsidy totalling € 10,420,000 for the period 2012 through 2016. Based upon the Business Plan 2012-2016 and Annual Plans, IRC will receive two instalments per year: in December (preceding year) and in June.

	<u>31-12-2012</u>	<u>31-12-2011</u>
	€	€
Subsidy instalment received for following year	1.379.209	1.500.000

Other current liabilities

The item other current liabilities amounts to € 684,738 as of 31 December 2012. At the end of 2011, the item 'other current liabilities' amounted to € 599,314.

The other current liabilities are specified as follows:

	<u>31-12-2012</u>	<u>31-12-2011</u>
	€	€
Holiday allowance payable	162.827	159.514
Taxes payable	196.234	93.318
Pension premiums payable	61.507	59.079
Employee leave rights payable	99.471	78.871
Year-end allowance payable	19.678	19.443
Annuity Mortgage Vastned	-	23.328
Other payable items	<u>145.021</u>	<u>165.761</u>
	684.738	599.314

Accountants van de Staat

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Uitsluitend voor identificatiedoeleinden

Contingencies and commitments not included in the balance sheet

Subsidy

The Ministry of Foreign Affairs (DGIS) had issued a disposition for the provision of a subsidy totalling € 10,420,000 for the period 2012 through 2016.

This subsidy consisted of the following parts:

- €9,670,000 to be used for the core activities and programmes of IRC (programme subsidy)
- € 750,000 to be used for the execution of ad-hoc advisory assignments for DGIS by IRC

The programme subsidy is partially spent per the end of 2012 as follows:

Basic subsidy	€
Available for the period 2012 - 2016	10.420.000
Minus: expenditures in 2012	-2.751.143
Balance	<u>7.668.857</u>

The income and expenses in the context of the programme subsidy are accounted for in the Profit and Loss Account. Interest received on advance payments are allocated and included.

Additional subsidy in regard to ad-hoc advise assignments DGIS

For the current business plan period IRC received no additional funding for ad-hoc advice.

The subsidy assigned to IRC by DGIS is inclusive an amount for ad-hoc advise assignments

Additional subsidy with respect to maintaining innovative strength and professionalisation processes and systems IRC

The Bill & Melinda Gates Foundation made an amount of 2,000,000 USD available with respect to the professionalisation of systems and processes within IRC and to maintaining innovative strength.

	\$ (USD)	€ (EUR)
Available for the period 2008 - 2013	2.000.000	1.265.823
Revaluation receipt of funds	0	183.453
Minus: expenditure 2008	-59.144	-42.858
Minus: expenditure 2009	-478.937	-347.056
Minus: expenditure 2010	-456.576	-330.852
Minus: expenditure 2011	-224.788	-162.890
Minus: expenditure 2012	-349.244	-253.075
Balance	<u>431.311</u>	<u>312.544</u>

Fictitious unemployment (WW) commitments

IRC is responsible for the potential unemployment commitments of its own personnel.

The maximum unemployment commitment amounts for which IRC could be held responsible in the event of fictitious liquidation, effective 1 January 2013, are as follows:

	€
Maximum unemployment commitment nominal as of 31-12-2012	3.672.972

The calculated maximum unemployment commitment is based on the number of years of service at IRC.

Sick pay

IRC bears its own risk for the Sickness Benefits Act. The costs of continued salary payments to personnel in the event of illness are to be borne entirely by IRC.

The costs in the first year of illness is 100% whereas in the second year, it is 70%.

Risk carrier for disability (WIA)

IRC was bearing the risk for disability (WIA) until 31-12-2012. As per 1-1-2013 IRC has insured this risk. There are no risks outstanding associated from before 31-12-2013

Rental agreement

With regard to the housing in the International Water House, IRC together with NWP renewed her rental agreement with NSI/Vastned for a period of 2 years and 7 months, effective as from 1 jan 2013.

The rent was renegotiated with a discount amounting to 15% in kind.

The actual expenditures are included in the profit and loss account under the item Housing.

The future lease obligations can be specified as follows

Lease obligations up to 1 year	90.385
Lease obligations > 1 year	143.110
Lease obligations total	233.495

Fiscal position of IRC

The IRC is exempt for CIT due to her status of Not for Profit. In respect of other taxes e.g. VAT IRC has performed a first scan in cooperation with PWC with the year 2011 as example and concluded that her tax procedures were not yet adequate enough to be in compliance with her preferred level of quality. PWC advised the IRC to contact the Dutch tax authorities proactively and agree on the processing of certain taxation issues to prevent a possible risk of additional tax payments afterwards. For the years

2010 to 2012 a possible tax risk exists of an amount between € 42.000 and € 262.000 per year. The IRC has implemented the first set of new procedures in order to correctly administer and file the return in respect of the VAT under the reverse charge mechanism. This has been communicated with tax authorities.

Notes to the income statement

Income from projects

The income from projects consists of the paid days spent by IRC employees on externally financed projects (at the current external rates), increased by equipment costs charged (for projects with a rate based on direct costs), out-of-pocket expenses on projects (particularly travel expenses and costs of partners) and project results that are derived from subsequent calculation of projects at completion.

The total income from projects can be specified as follows:

	Actual 2012	Budget 2012	Actual 2011	Budget 2011
	€	€	€	€
Core programme funding (DGIS+BMGF)	3.092.551	3.322.348	2.707.042	2.870.281
Triple-S	3.037.500	2.834.139	2.688.811	2.530.138
WASHCost	1.897.181	1.568.789	2.069.310	1.883.964
Other IRC projects	2.218.317	4.977.211	2.294.101	2.249.939
Result on closed projects	707	0	6.647	0
Additions / releases project accruals	-169.525	0	-22.172	0
	<u>10.076.731</u>	<u>12.702.487</u>	<u>9.743.739</u>	<u>9.534.322</u>

The income from projects for the financial year 2012 amounts to € 10,076,731 which is 3% higher than in 2011.

The income derived from hours executed by IRC staff members slightly increased from € 4,694,908 in 2011 to € 5,167,388 in 2012. The income from projects were budgeted at € 12,702,487. The 20% variance is mainly caused by the delayed startup of BracWash

Subsidy

Programmatic funding comprises the part of the five-year subsidy (2012-2016) from the Ministry of Foreign Affairs (DGIS) and the balance of the Core Funding from the Bill & Melinda Gates Foundation (BMGF). An amount of € 2,751,144 is attributed to the income in 2012.

EXPENSES

Personnel costs

The total personnel costs for 2012 amounts to € 4,879,952.

This is slightly higher than in 2011, when the total personnel costs amounted to € 4,667,350.

The difference is mainly attributable to the average increase costs for temporary staff.

An amount of € 5,528,165 was budgetted for personnel costs. The deviation can be explained by the fact that IRC has been operating with an average of 6 FTE less in comparison with budget. compensation for pregnancy leave (which was not budgetted for) and spent less on education, recruitment and posting.

The specification of personnel costs is as follows:

	Actual 2012	Budget 2012	Actual 2011	Budget 2011
	€	€	€	
Salary expenses				
Gross salaries including vacation allowance	3.589.783		3.621.228	
Employer's expenses for salary savings scheme			3.486	
National insurance contributions	330.427		303.003	
Pension premium deductions	-275.161		-268.672	
Pension premium contributions	759.195		728.144	
Other	-122.672		114.476	
Subtotal	4.556.733		4.501.665	
Other salary items to be deducted	-6.111		6.111	
Total salary expenses	4.550.622	5.205.165	4.507.775	4.961.362

	Actual 2012	Budget 2012	Actual 2011	Budget 2011
	€	€	€	€
Other personnel costs				
Temporary employees	206.299	100.000	57.264	50.000
Reimbursement pregnancy leave	-35.997		-14.914	0
Recruitment	8.364	35.000	10.558	15.000
Posting costs	66.014	23.000	11.871	20.000
Training and education	22.224	94.000	26.327	50.000
Associates			1.248	2.000
Personnel administration	17.915	20.000	17.018	20.000
Health expenses and health support	11.639	15.000	15.330	20.000
Travel free weeks and social events	15.915	16.000	17.255	17.000
Personnel insurances	20.535	15.000	13.984	15.000
Miscellaneous	-3.578	5.000	3.634	7.000
	329.330	323.000	159.575	216.000
Total personnel costs	4.879.952	5.528.165	4.667.350	5.177.362

DGIS-Funded Projects

DGIS-funded projects are activities set up as projects, for which only a small amount or no direct external funding takes place. The costs related to these projects are charged directly to the basic subsidy from the Ministry of Foreign Affairs.

The direct costs of DGIS-funded projects are charged to the result in the year to which they apply.

The specification of expenditures for DGIS-funded projects is as follows (in accordance with the division used in the business plan 2012 - 2016):

	Actual 2012	Budget 2012	Actual 2011	Budget 2011
	€	€	€	€
Programme personnel costs	2.268.955	2.287.000	2.153.201	2.043.521
Information and Global Services	58.832	244.250	60.240	90.000
Innovation Programme	22.759	79.150	55.200	66.500
Regional and Country Programmes	386.185	455.781	264.232	279.260
Programme and general management	14.413	93.500	11.280	55.000
	2.751.144	3.159.681	2.544.153	2.534.281

The expenditures for the DGIS-funded projects for 2012 (the first year of 5-year subsidy 2012-2016) were budgeted at € 2.992,618. Due to the unexpected lower amount of subsidy amounting to approx € 2million IRC actively managed the use of the DGIS funds to a lower level.

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General & administration expenses (G&A)

G&A concern all office-related expenses and expenses related to the management of the organisation.

G&A amounts to € 458,851 in the year 2012, while an amount of € 480,000 was budgeted.

This is slightly higher than in 2011, when G&A amounted to € 445,681 but under budget.

The main deviances are in the auditors fee which includes an additional amount for tax services of € 20,000 and in marketing due to the planned strategic changes in communications. These higher costs are compensated by the higher recharge of G&A to projects amounting to € 64,000.

The specification of the G&A is as follows:

	Actual 2012	Budget 2012	Actual 2011	Budget 2011
	€	€	€	€
Housing	245.966	258.000	264.576	266.000
Information Technology	106.446	100.000	111.999	130.000
Office inventory	17.250	19.000	29.549	37.000
Office supplies	8.477	12.000	11.154	8.000
Printing	16.516	14.000	14.827	14.000
Postage	1.201	5.000	3.495	5.000
Communication	13.393	20.000	12.042	25.000
Supervisory Board	20.780	15.000	15.299	15.000
Auditor	67.808	29.000	24.450	25.000
Management, marketing, PR and Advisory	108.779	74.000	41.497	20.000
Tax & legal consultancy	33.156	50.000	17.472	8.000
Literature & WorksCouncil	3.301	4.000	5.516	3.000
Equipment & supplies invoiced to projects	-184.222	-120.000	-106.195	-110.000
	458.851	480.000	445.681	446.000

Financial income & expenditures

Financial income & expenditures in 2012 amounts to € 12,468 loss while an amount of € 50,000 profit was budgeted.

This is substantially lower than in 2011, when the financial income was € 51,215.

This effect is caused by the currency exchange results on USD and GBP payments/receipts, lower interest rates and an accrual for bad debts

Financial income & expenditures can be specified as follows:

	Actual 2012	Budget 2012	Actual 2011	Budget 2011
	€	€	€	€
ABN / AMRO Current Account	0	0	0	0
ABN / AMRO Capital market index accounts	24.792	41.000	30.470	40.000
ABN / AMRO Deposit Accounts	24.719	24.000	22.562	30.000
Bank costs	-7.429	-8.000	-8.599	-8.000
Interest annuity (NSI/Vastned)	-1.277	-2.000	-2.480	-4.000
Accrual bad debts	-31.258		7.826	-10.000
Currency exchange result	-20.259	-5.000	2.709	0
Cash & payment differences	-1.756		-1.273	0
	-12.468	50.000	51.215	48.000

Remuneration of the Director and the Supervisory Board

The remuneration of the director of IRC for 2012 amounts to € 109,097 which excludes an amount of € 18,695 for pension contributions.

The Supervisory Board has received a financial compensation of € 20,780 There are no loans, advances or guarantees provided to the director or one of the Supervisory Board members.

Annual result

The annual result for 2012 is a profit and amounts to € 13,132. This amount will be added to the foundation's general reserves.

Approved and signed in the Supervisory Board Meeting on 27 May 2013

The Hague, 27 May 2013

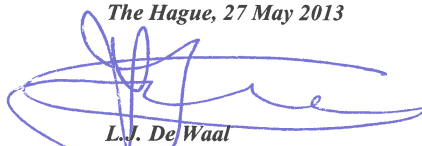


N.G.M. Terra

Director

IRC International Water and Sanitation Centre
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The Hague, 27 May 2013



L.J. De Waal

Chairman Supervisory Board

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